

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Rickel	5/1-1st qtr.	\$44,333	\$39,983	11	—	—	—
Scott's	5/1-1st qtr.	6,743	4,434	52	-\$209**	\$187**	—

*\$ in thousands
**operating income

Payless 2nd-qtr. earnings up 41%

KANSAS CITY, Mo.—Substantial sales increases, control of operating costs and relatively steady prices contributed to a 41% increase in net earnings at Payless Cashways in its second quarter ended May 29, company officials reported.

Net income rose from \$4.7 million in the quarter a year ago to \$6.7 million in this year's period while total revenues increased 25% to \$159.5 million compared to last year.

Sales at the chain's units opened at least one full year increased 12% in the second quarter compared to the same quarter in 1981, officials said.

The effect of LIFO (last in, first out) accounting on earnings per share in the period was 4¢ compared to 7¢ a year ago. Company president David Stanley explained that the

lower accrual rate reflects the company's expectations for the year, based on lower inflation in the price of goods experienced so far in 1982.

"We are particularly pleased with these results as they tend to confirm a growing need for the products and services we offer, even in a period of generally poor business conditions," Stanley noted.

In other developments, Payless has been added to Standard & Poor's credit watch as a company whose debt rating may improve in the near future.

The 91-store chain is also offering 1,250,000 shares of its common stock at \$22.50 each to help finance its store expansion program. The company will bring its total store count to 100, including two recently purchased Brookhart's stores in Colorado Springs, by the end of the fiscal year in November.

A million of the shares are being issued by the company while the rest is being sold by former chairman and current director V. W. Furrow.

Payless currently has 11.6 million shares outstanding.

STOCK PRICES

	As of 7/7	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	22¾	43¾	19¾	7
Diamond Int'l (NYSE)	39	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	7½	26	7	8
Forest City (AMEX)	12¾	18½	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	32¾	51	32½	4
Lowe's (NYSE)	14¾	18½	10½	15
Payless Cashways (NYSE) [Furrow]	22¾	23¾	15¼	14
Scotty's (NYSE)	19½	24¾	15½	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9	20¾	8¾	32

Over-the-counter stocks

	As of 7/7 Bid	As of 7/7 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8¾	9½	14¾	7½
Hechinger	18¾	19	22¾	15¼
Hines Lumber	16	17	20½	15
The Home Depot	18¾	18¾	19¾	6½
Pay 'N Pak	12¾	13	17¼	11½
Pay 'n Save	17	17½	27¾	16½
Scotts Seaboard [Scott's]	1	1¾	2¾	½
Wolohan Lumber	3½	3¾	5¼	3

Pay 'N Pak's net dips in 1st qtr.

KENT, Wash.—Competition and the closing of auto and sporting goods departments in six of its stores contributed to a 36% decline in net income at Pay 'N Pak in its first quarter ended May 31, officials reported.

Earnings fell to \$952,802 while sales rose 6% from the same quarter a year ago to \$43,944,081.

"Our earnings were hurt by our need to be more competitive pricewise in today's difficult economic environment," Pay 'N Pak chairman and ceo David J. Heerensperger said.

The chain, which added three stores in the quarter to raise its total to 90, announced earlier this year that it would eliminate automobiles and sporting goods in 11 of its largest units and replace them with lumber items (NHCN, Feb. 15). Markdowns in the eliminated areas put additional pressure on profit margins, according to Heerensperger.

Sales at Lowe's rose 6% in June

NORTH WILKESBORO, N.C.—Retail sales increased 14% and builder volume dropped only 3% to give Lowe's a 6% gain in total sales in the four-week period ended June 26 compared to the same period last year, company officials said.

Lowe's overall volume in the period totaled \$83.7 million, achieved through \$47.6 million in retail activity and \$36.1 million in contractor trade, they noted. The business gave the chain, which opened its 232nd unit in Whitesburg, Ky., in June, a 57:43 consumer-contractor ratio for the month.

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4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

National Home Center News

Vol. 8, No. 17

The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc.

August 16, 1982
\$7 per year \$2 per copy

Sears plans to drop building supply inventory

By John Caulfield
NHCN associate editor

CHICAGO—Sears, the 851-unit, \$18.2 billion giant that sold an estimated \$4.5 billion-\$5 billion worth of home improvement fare in 1981, plans to discontinue stocking roofing, insulation, siding and other building products in its warehouses, while maintaining minimal inventory in its stores.

"In merchandising building materials, Sears is no longer selling the product, but the [installation] service," observed Jack Sydel, a former Sears' general merchandise program director who currently manages a West Building Materials unit in Marietta, Ga.

In the past, authorized contractors hired by Sears to install these products for consumers bought their materials mainly from Sears directly through the firm's "Installed Home Improvement" program, which accounted for an esti-



Sears plans to discontinue stocking roofing, siding, gutters and insulation, relying instead on displays to sell installation services rather than merchandise. NHCN photo

mated \$700 million to \$1 billion in business last year.

Now, it appears Sears will rely pri-

marily on space-conserving in-store displays to promote the products, and allow the contractors to purchase the

commodities wherever they can get the best price. Sears, however, will continue to honor its guaranteed warranty on all installed jobs arranged for its customers.

"It's cheaper in every regard to have contractors make the commodity buys," said one former high ranking Sears executive familiar with its corporate merchandising strategy. "The stores just don't have the room to display those bulky products like home centers." (Sears home improvement departments take up only about 10,000-12,000 sq. ft. in units that average 158,637 sq. ft.)

In the past, the sale of commodities has been very lucrative for Sears. In 1978, according to one roofing manufacturer source, the chain sold \$30-\$40 million in roofing alone, but it now appears any future revenue Sears generates from building materials will come from

(Continued on page 117)

Home center approach gains wider acceptance



As American homeowners increasingly choose home centers for their repair and remodeling needs, more hardware stores and lumberyards are finding the need to move toward that format in order to survive and grow. In the heartland of America, Kansas City perhaps typifies this trend, as NHCN reports in this special Hardware Show issue on merchandising in 1982. Story begins on page 19.

The success of the home center approach, in fact, has had an effect on the way most home improvement products are now merchandised: Hardware Wholesalers Inc., is converting some of its member units into home centers (page 28); lumberyards are displaying more material inside (page 35), and the forest product industry is struggling to fit the DIY market (page 50).

Pay 'n Save returns ad functions, merchandising to division level

By Brad Altman
West Coast editor

SEATTLE—Pay 'n Save officials are grappling with a tough retailing question: Can they move toward a centralized decision-making process at corporate headquarters without abandoning the old axiom that "merchandising demands people who understand merchandise?"

The tentative answer: "Apparently, not yet."

Last month, the 251-store retailer eliminated its 18-month-old merchandising department which was responsible for the merchandising and advertising

for three Pay 'n Save divisions—Ernst home centers, Pay 'n Save drug stores and Sportswest sporting goods stores. In essence, Pay 'n Save has returned merchandising and advertising functions to the divisional level—where they were handled before the corporate-level department was established in February 1981.

This strategy means that Ernst gm and vp Bill Boston now has complete responsibility for the home center division, an expansion of what had been "day-to-day operations" duties.

By going full circle, it appears that Pay 'n Save con-

cluded that its centralized system was not the total solution to improving merchandising controls. Company officials prefer to describe it as a learning experience.

"There were a lot of little problems but nothing that was really a disaster," said one insider when asked to sum up the merchandising department's accomplishments.

Company officials acknowledged that centralizing merchandising functions in a company used to strong divisional autonomy was not easy.

Stan Johnson, for instance, in

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Mortgage investments on the rise

Pension funds may revive housing

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Pension funds represent the nation's largest source of investment capital, about \$700 billion.

While it is estimated that only 2% to 3% of that money is invested in home mortgages, the trickle has increased noticeably, with many millions of dollars in retirement funds flowing into mortgage pools just over the past few months.

Since each \$700 million in mortgages may result in roughly 10,000 additional housing starts, according to Smith Barney Harris Upham analyst Barbara Alexander, the potential impact on the beleaguered housing industry could be considerable, at least over the long run.

In May, the Chicago District Council of Carpenters placed \$10 million in pension money into mortgages. Massachusetts invested \$28.5 million in June, the same month the New York State Teacher's Retirement

System initiated the first half of a \$60 million mortgage program.

In addition, the Oregon Public Employees Retirement System plans to add \$100 million to the \$400 million in currently held mortgages; the Teamsters

have proposed an \$18 billion investment in below-market-rate mortgages, and New York City may add \$528 million to the \$24 million it already holds.

This heated activity has been stimulated primarily by

(Continued on page 118)

City of Hope fundraiser garners industry support

By Greg Puchalski
NHCN senior editor

CHICAGO—Some call it a phenomenon.

While home center and hardware industry executives have congregated here for the 37th annual National Hardware Show, nearly 1,000 are expected to take time out Tuesday evening, Aug. 17, and spend \$200 a piece toward the City of Hope—a charity that has begun to take a special place in the industry.

Sponsored by the hardware/home improvement industry council for the City of Hope National Medical Center, Duarte,



Grace home center president Frank W. Denny will be honored by the hardware/home improvement industry council of the City of Hope.

NEWSBREAKS

INSTALLED SALES EXPANDED. Handy City added an installed sales program in its Atlanta market on July 27. About 30 items are included, such as water heaters, garage door openers, tub enclosures, ceiling and attic fans and storm windows. The Southeastern Grace chain already offers installed sales in Birmingham, and Huntsville, Ala., and Tallahassee, Fla., and may expand the program to even more markets.

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DIY Industry update

Chandler's trims 4,000 sku's

VAN NUYS, Calif.—Chandler Home Center is in the process of eliminating at least 4,000 sku's of its 24,000-item inventory.

The purpose: to increase sales per square foot and to get an average of four stock turns per year, said Frank Karamas, merchandising manager.

Chandler's inventory now totals about \$1 million and "we're looking to cut that by \$200,000 if we can," Karamas said. He added: "We find that about 20% of the items do 80% of the volume. Those are the 'A' inventory items. We're eliminating our 'D' and 'E' items and looking at the 'C' items—saying 'do we need this to maintain our image?'"

Merchandise lines eliminated so far include patio furniture and barbecues. Reduced sku's are in DIY books (from 20 to 8 running feet), security alarm systems and locksets.

C-P initiates \$250+ charge plan

ROCHESTER—Chase-Pitkin customers wanting to charge purchases of \$250 or more won't need to turn to their MasterCard or VISA cards any more. Instead, they can use their Chase-Pitkin cards.

The nine-unit chain has introduced a "\$250+ Charge Plan," offering financing on high-ticket purchases.

"The \$250+ Charge Plan will give us much greater opportunity to sell higher priced items and larger projects," a Chase-Pitkin flyer describing the program said.

From the customer's standpoint, the plan should make it "easier to purchase higher ticket items," according to the flyer. It should also keep his VISA and MasterCard charges from nearing or exceeding credit limits, thus prohibiting smaller purchases, chain officials said.

Chase-Pitkin is working with the Rochester division of Lincoln First Bank, which is handling all credit approval and billing on the card. If accepted for the program, a customer receives a temporary, paper card two to three days after applying and a permanent plastic card later.

Each purchase under the plan must total \$250 or more, including tax, and may comprise one or more items.

Western Show board named

CHICAGO—An advisory board of 16 manufacturing and retail home center executives has been formed to organize the new regional Western Home Center & Building Materials Show, to be held in Anaheim, Calif., Oct. 21-23, 1983.

The board, which includes nine executives from home center operations, will hold its first meeting on Sept. 21 in Anaheim, to discuss such topics as selection of speakers and the show's seminar program. The assembly will meet one more time prior to the show's opening, and twice annually thereafter. Each board member will serve a three-year term.

The board members are:

John Bates, pres., Westmark & Assoc., Irvine, Calif.
Bill Boston, vp and gm, Ernst Home Centers, Seattle.
Stuart Chilton, vp and gm, Triad Systems, Sunnyvale, Calif.
David Cutler, editor and publisher, *The Merchant Magazine* and *Building Products Digest*, Newport Beach, Calif.
A. E. Eggly, vp-sales and mktg., Allegretti & Co., Chatsworth, Calif.
Richard A. Falk, vp mktg., California Hardware, City of Industry.
Michael O'Malley, president and gm, Mallico Lumber, Phoenix.
Norman Fox, vp, Handyman, San Diego.
Fred Pinnell, incoming pres., Chandler, Boise, Idaho.
Frank Purcell Jr., pres., Builders Supply of Palm Springs, Calif.
William Ruddick, gm, Simpson Building Supply, Seattle.
Felix A. Sanchez, chrm., Hacienda Home Centers, Albuquerque.
William B. Simmonds, nat'l accts. mgr., Weyerhaeuser, Tacoma.
Roy Tindula, gm, Futura Home Products, Clearfield, Utah.
Sid Voorhees, partner, Eugene Planing Mill, Eugene, Ore.
Tom W. Watt, pres., Brookhart Building Centers, Colorado Springs.

Wickes' Swies named prez in BE management shuffle

SANTA MONICA, Calif.—Wickes has announced a new management structure for its 62-unit Builders Emporium chain that sharply reduces the responsibilities of Wickes veterans Anthony Swies and Bill Teachout.

BE's top executive realignment is the first major change in operational personnel at a Wickes subsidiary since the retailer filed for reorganization under Chapter XI of the Federal bankruptcy law April 24.

Swies was named president of BE while Teachout, the chain's former gm, was named executive vp. Both positions are newly created.

Before the change, revealed in late July, Swies was a Wickes group officer and senior vp, overseeing BE, 850-unit Gambles, 69-unit Rasco and 53-unit Toy World.

As executive vp, Teachout will have responsibility for the areas of merchandising, marketing and distribution, and three BE officials who formerly reported to him will now report to Swies.

The BE officials are Martin R. Bocola, vp-operations; Ronald P. Maccarone, vp-finance, accounting and systems, and Richard L. Morphet, vp-human resources.

Robert Craves, formerly vp-general merchandise manager, was named to the newly created post of vp-marketing. He will continue to report to Teachout.

In a statement, Jeffrey Chanin, Wickes senior vp, said "the added management emphasis at BE is indicative of the growing importance that the chain will play in Wickes' future."

Chanin added: "Tony's overall management skills, combined with Bill's ability to now concentrate on the merchandise-related end of the business, should give added strength to the new management group and provide a new dimension to the goals that BE



Wickes' former group vp Anthony Swies (l.) has been named president of Builders Emporium, with the chain's former gm Bill Teachout (r.) becoming its executive vp.

NHCN photos

can achieve."

Some industry observers commented that Wickes has, in effect, created a self-contained unit by putting in place a "workable management team" at the Irvine, Calif.-headquartered home center chain. Noting Wickes' persistent statements that BE is both profitable and

growth-oriented, one observer theorized "it could be just a bunch of hype to make BE more profitable when they sell it."

Wickes, for the moment, indicated there was no such plan.

BE is undergoing an extensive renovation and remodeling program of its older units

(Continued on page 118)

C.P.S.C. strikes settlement with paint sprayer mfrs.

By Laura Woda
 Washington correspondent

The Consumer Product Safety Commission struck a provisional settlement with major manufacturers of galvanized steel, air-compressed home and garden sprayers charged with selling defective products.

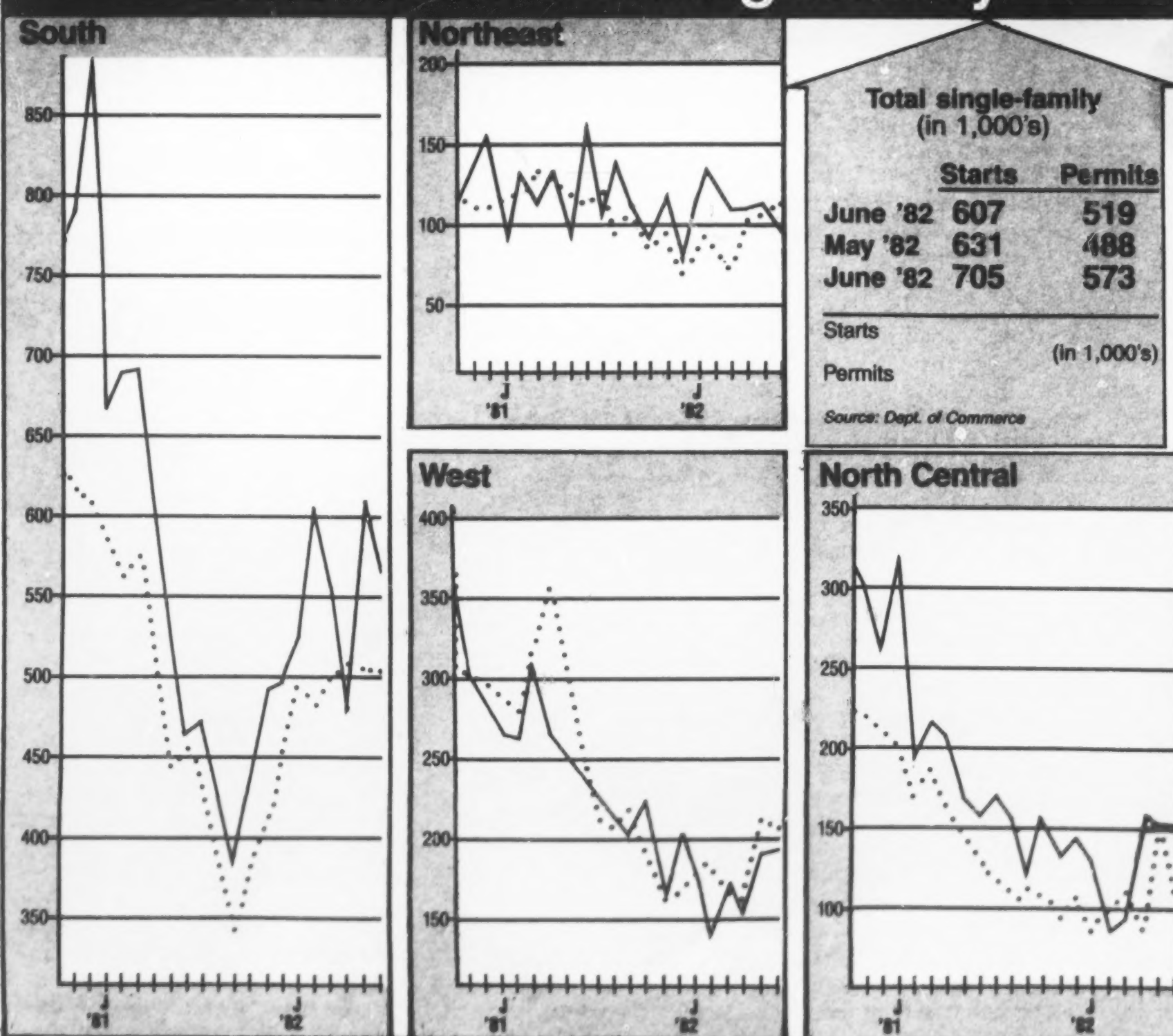
Federal safety regulators charged that between 1977 and 1978 The Fountainhead Group, Marimar Manufacturers, D. B. Smith Co. and Blue Mountain Products distributed a substantial number of sprayers with "an improperly located weld at the bottom of the sprayer presenting a substantial product hazard."

In addition, the complaint maintained that the manufacturers violated reporting requirements by failing to notify the C.P.S.C. of information which "reasonably supports the conclusion that the sprayers" used were defective.

Without admitting that the products were defective or that they violated any reporting requirements, the companies agreed to pay \$10,000 in full settlement of all charges made in the complaint.

In accordance with C.P.S.C. rules, however, final acceptance of the settlement is pending a public comment period.

June home-building activity



After breaking the million mark last month, total seasonally adjusted starts fell to 911,000 in June, a drop of 15.3%. Permits, however, were up 11.8% from the prior month to a seasonally adjusted total of 948,000. Both starts and permits were up from May for single-family units. Seasonally adjusted starts rose 6.1% to 607,000. Permits totaled 519,000, an increase of 6.4%.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: \$7 a year (\$8 in Canada); Manufacturers, schools, libraries and all others: \$14 a year (\$15 in Canada). Foreign subscriptions: Airmail only, \$100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 17. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.